

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 LAB-04

SIL-01 L-03 H-02 SAM-01 IO-11 AGR-05 /102 W

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R 081948Z JAN 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 7919

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY LISBON

AMEMBASSY MADRID

AMEMBASSY OSLO

USMISSION EC BRUSSELS

USMISSION NATO BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 00346

E.O. 11652: XGDS-1

TAGS: EAID PFOR PO UK

SUBJECT: UK ECONOMIC AID TO PORTUGAL

REF: (A) STATE 287463, (B) LONDON 19717, (C) EC

BRUSSELS 11429

1. EC MIN CALLED ON ALAN CAMPBELL, DEPUTY UNDER-
SECRETARY. FCO, RESPONSIBLE FOR SOUTHERN EUROPE,
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JANUARY 7, TO DISCUSS US BILATERAL ECONOMIC AID TO

PORTUGAL AND PROSPECTS FOR UK ASSISTANCE. HE BRIEFLY OUTLINED PORTUGAL'S PRESENT ECONOMIC SITUATION WITH EMPHASIS ON RAPID DETERIORATION OF BALANCE OF PAYMENTS AND PROBLEMS INHERENT IN PORTUGAL'S DRAWING DOWN ITS GOLD RESERVES AND THEN PROVIDED BREAKDOWN OF PROJECTED US BILATERAL ASSISTANCE AS SET FORTH REFTEL A.

2. CAMPBELL EXPRESSED APPRECIATION FOR BACKGROUND INFORMATION AND STATED THAT HMG AGREES ON POLITICAL NEED TO PROVIDE TIMELY ASSISTANCE AND SUPPORT TO PRESENT PORTUGUESE GOVERNMENT. HE SAID UK HAS BEEN ACTIVELY TRYING TO PROVIDE POLITICAL IMPETUS IN EEC FOR INCREASED AID TO PORTUGAL. HE CITED EUROPEAN INVESTMENT BANK (EIB) 150 MILLION UNITS OF ACCOUNT LOAN PROPOSAL AS ONE RESULT OF THIS ACTIVITY. UNFORTUNATELY, INCREASED AID TO PORTUGAL THROUGH THIS CHANNEL IS NOT EASY BECAUSE THE AMOUNT OF LOANS WHICH CAN BE PROVIDED TO COUNTRIES OUTSIDE THE NINE IS LIMITED BY EIB STATUTE. HE ALSO MENTIONED TRADE CONCESSIONS WHICH EC WAS WILLING TO GRANT PORTUGAL AS DESCRIBED REFTEL C. IN THIS REGARD HE HAD TO ADMIT TO A CERTAIN AMOUNT OF EMBARRASSMENT OVER UK'S RECENT IMPOSITION OF LIMITED IMPORT CONTROLS ON TEXTILES FROM PORTUGAL.

3. CAMPBELL THEN ADDRESSED HIMSELF TO QUESTION OF BILATERAL ASSISTANCE WHICH HE RECOGNIZED AS BEING THE ESSENCE OF OUR APPROACH TO HIM. HE SAID THERE IS NO LACK OF POLITICAL WILL WITHIN HMG TO PROVIDE SUCH ASSISTANCE. THEY ARE, HOWEVER, LIMITED BY LACK OF MEANS. HE OUTLINED PREVIOUSLY REPORTED ASSISTANCE IN RESETTLING ANGOLAN REFUGEES AND ADDED THAT TECHNICAL ASSISTANCE TRAINING IN THE UK VALUED AT 30,000 POUNDS WILL BE PROVIDED IN FY ENDING APRIL 1976 AND WILL BE INCREASED TO 100,000 POUNDS IN FY 76/77.

4. ON MORE IMPORTANT QUESTION OF LARGE SCALE BILATERAL CAPITAL AID, PROSPECTS DO NOT LOOK GOOD ISSUE IS PRESENTLY BEING "DISPUTED WITHIN WHITEHALL."
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R 081948Z JAN 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 7920

INFO AMEMBASSY BERN

AMEMBASSY BONN

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AMEMBASSY COPENHAGEN

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C O N F I D E N T I A L SECTION 02 OF 02 LONDON 00346

FCO WOULD LIKE TO OFFER CAPITAL AID LOAN OF AROUND
10 MILLION POUNDS. THIS WOULD, HOWEVER, HAVE TO
COME OUT OF OVERSEAS DEVELOPMENT MINISTRY'S BUDGET
AND ODM IS HOLDING OUT FOR FIGURE LIKE 5 MILLION.
CAMPBELL SAID FCO REALIZES ODM IS UNDER PRESSURE
FROM HM TREASURY TO HOLD DOWN EXPENDITURE AND THAT
IT FINDS IT DIFFICULT TO JUSTIFY ASSISTANCE TO A
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COUNTRY SUCH AS PORTUGAL WHICH DOES NOT QUALIFY FOR ASSISTANCE UNDER ODM'S RURAL DEVELOPMENT CRITERIA. DECISION ON AMOUNT OF BILATERAL CAPITAL AID TO BE OFFERED WILL BE MADE AT MEETING BETWEEN FOREIGN SECRETARY CALLAGHAN AND ODM MINISTER PRENTICE, POSSIBLY WITHIN NEXT FEW DAYS, AND IS LIKELY TO BE ANNOUNCED BY FCO MINISTER OF STATE, ROY HATTERSLEY, WHEN HE VISITS PORTUGAL DURING LAST WEEK OF JANUARY.

5. CAMPBELL CONCLUDED MEETING BY REITERATING THAT HE FEELS UK HAS ALREADY DONE QUITE A BIT BILATERALLY, CONSIDERING ITS PRESENT ECONOMIC POSITION. UK WILL CONTINUE TO PUSH WITHIN THE EC FOR INCREASED COMMUNITY ASSISTANCE TO PORTUGAL, AND HE HOPES DECISION TO GRANT BILATERAL CAPITAL ASSISTANCE WILL BE MADE IN NEAR FUTURE.

6. COMMENT: ODM SOURCE HAS CONFIRMED THAT PRENTICE HAS RELUCTANTLY AGREED TO PRINCIPLE OF PROVIDING BILATERAL CAPITAL ASSISTANCE TO PORTUGAL OUT OF ODM'S BUDGET. PRENTICE WILL ENDEAVOR, HOWEVER, WHEN MEETING WITH CALLAGHAN TO HOLD THE TOTAL AS CLOSE TO 5 MILLION POUNDS AS POSSIBLE.

RICHARDSON

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